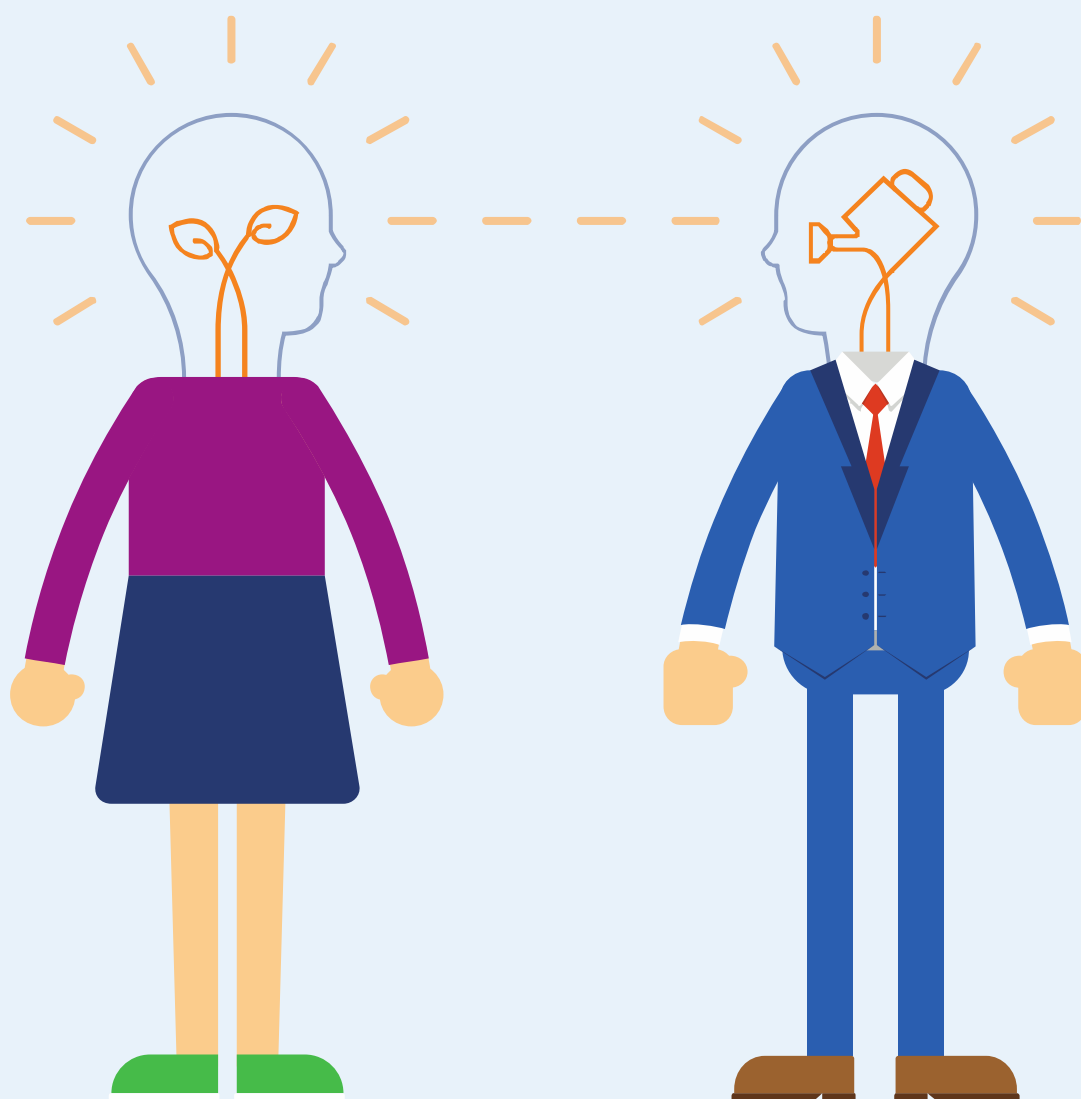


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Interim Financial Statements Q3 2018

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Statement of the Board of Directors

SR-Boligkreditt AS is a wholly owned subsidiary of SpareBank 1 SR-Bank. The company issues covered bonds backed by home mortgages acquired from SpareBank 1 SR-Bank. Moody's rates SR-Boligkreditt AS's covered bond programme Aaa.

Income statement as at 30 September 2018

Net income totalled NOK 288.1 million as at 30 September 2018.

(Amounts in NOK millions)	01.01.18 - 30.09.18	01.01.17 - 30.09.17
Total income	288.1	170.2
Net interest income	349.2	270.1
Net commission income	-24.3	-18.5
Net income on financial investments	-36.7	-81.4

Operating expenses are kept low due to effective operation and synergies with treasury in SpareBank 1 SR-Bank. Net income on financial investments is volatile due to changes in value of basis swaps.

Balance sheet

At end of September 2018, total assets stood at NOK 53.1 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 46.2 billion.

Risk

SR-Boligkreditt AS has established guidelines and limits for management and control of the different types of risk. Currency and interest rate risk is eliminated through the use of derivatives. Liquidity risk is managed in accordance with regulatory requirements and limits approved by the board. The company's overall financial risk is considered to be low. The servicing agreement with SpareBank 1 SR-Bank comprises administration, bank production, IT operations, and financial and liquidity management. Operational risk is assessed as low. Negative developments in the housing market will affect the company. A decline in housing prices will reduce the value of the company's cover pool relative to the statutory asset coverage requirement. Quarterly stress tests are carried out to estimate effects of a negative development in housing prices. One short-term measure to meet a significant fall in housing prices would be to supply SR-Boligkreditt with home mortgages from SpareBank 1 SR-Bank. The board considers the company's total risk exposure to be

low. At the end of September 2018, the company's equity totalled NOK 4.2 billion. The capital adequacy ratio was 18,9%.

Outlook

Growth in GDP mainland is expected to be above 2 % in 2018 and 2019. Both oil companies and the supply industry are now reporting better prospects with higher sales, new investments and more hirings. Export-oriented industries are experiencing growth due to a weak Norwegian krone and greater competitiveness. The building and construction industry has been boosted by major infrastructure projects and the housing market. Norwegian house prices grew 2.7 % last 12 months. SR-Boligkreditt will continue to build the company's funding curve and to provide funding diversification for the parent bank. The volume of covered bond issues in 2018 is expected to be approximately NOK 15 billion and to provide a sound basis for SpareBank 1 SR-Bank's lending activities.

Statement pursuant to the Securities Trading Act

Statement pursuant to Section 5-6 of the Securities Trading Act.

These interim financial statements for SR-Boligkreditt AS cover the period 1 January – 31 September 2018. The financial statements were prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole. To the best of our knowledge, the third quarter report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the financial statements
- description of the principal risks and uncertainties facing the company over the next accounting period
- description of major transactions with related parties

Stavanger, 24 October 2018

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.18 - 30.09.18	01.01.17 - 30.09.17	Q3 2018	Q3 2017	2017
Interest income		837.148	650.144	304.856	235.223	910.559
Interest expense		487.965	380.034	182.265	126.446	514.852
Net interest income		349.183	270.110	122.592	108.777	395.707
Commission and fee expenses		24.307	-18.520	8.682	-6.791	26.094
Net commission income		-24.307	-18.520	-8.682	-6.791	-26.094
Net gains/losses on financial instruments	10	-36.788	-81.389	-10.806	543	-93.123
Net income on financial investments		-36.788	-81.389	-10.806	543	-93.123
Total net income		288.088	170.202	103.103	102.528	276.490
Administrative expenses		1.208	1.062	413	350	1.444
Other operating costs		1.839	-91	475	676	516
Total operating costs before impairment losses on loans		3.047	972	888	1.027	1.960
Operating profit before impairment losses on loans		285.041	169.230	102.215	101.502	274.530
Impairment losses on loans and guarantees	5	1.577	1.110	-2.571	-91	1.749
Pre-tax profit		283.464	168.119	104.786	101.593	272.781
Tax expense		65.197	42.030	24.101	25.398	68.201
Profit after tax		218.267	126.090	80.685	76.195	204.580
Other comprehensive income						
Adjustments		-	-	-	-	-
Comprehensive Income		218.267	126.090	80.685	76.195	204.580

Balance sheet

NOK 1 000	Note	30.09.18	30.09.17	31.12.17
Assets				
Balances with credit institutions		776.377	908.687	2.202.630
Loans to customers	2, 5	51.492.879	40.758.499	40.824.596
Bonds		150.297	100.123	100.216
Financial derivatives	9	418.321	283.037	1.102.792
Deferred tax assets		17.983	11.935	17.983
Other assets	3	240.242	4.641.468	211
Total assets		53.096.099	46.703.748	44.248.427
Liabilities and equity				
Liabilities				
Listed debt securities	7	46.186.530	38.476.696	39.594.428
Balances with credit institutions		1.798.587	4.327.997	-
Financial derivatives	9	817.088	700.612	368.278
Taxes payable	4	67.024	42.030	74.248
Other liabilities	4	9.742	3.612	5.182
Total liabilities		48.878.969	43.550.948	40.042.135
Equity				
Paid-in equity capital		4.000.150	3.025.150	4.000.150
Retained earnings		216.980	127.651	206.141
Total equity		4.217.130	3.152.801	4.206.291
Total liabilities and equity		53.096.099	46.703.748	44.248.427

Stavanger, 24 Oktober 2018

Inge Reinertsen
Chairman

Stian Helgøy

Merete Eik

Børge Henriksen

Dag Hjelle
CEO

Statement of changes in equity

NOK 1 000	Share- capital	Premium reserve	Other equity	Total equity
Incorporation 17 March 2015	150.000	150	0	150.150
Capital increase 24 April 2015	150.000	0	0	150.000
Capital increase 4 September 2015	225.000	0	0	225.000
Capital increase 27 October 2015	750.000	0	0	750.000
Profit for the period	0	0	28.710	28.710
Equity as at 31 December 2015	1.275.000	150	28.710	1.303.860
Dividend 2015, resolved in 2016	0	0	-28.000	-28.000
Capital increase 18 May 2016	750.000	0	0	750.000
Profit for the period	0	0	84.851	84.851
Equity as at 31 December 2016	2.025.000	150	85.561	2.110.711
Capital increase 20 January 2017	1.000.000	0	0	1.000.000
Dividend 2016, resolved in 2017	0	0	-84.000	-84.000
Capital increase 20 October 2017	975.000	0	0	975.000
Profit for the period	0	0	204.580	204.580
Equity as at 31 December 2017	4.000.000	150	206.141	4.206.291
Changes in equity IFRS 9 1 January 2018	0	0	-3.429	-3.429
Dividend 2017, resolved in 2018	0	0	-204.000	-204.000
Profit for the period	0	0	218.267	218.267
Equity as at 30 September 2018	4.000.000	150	216.980	4.217.130

Cash flow statement

NOK 1 000	30.09.18	30.09.17	31.12.17
Interest receipts from lending to customers	829.274	640.791	898.892
Provisions to SR-Bank	-24.307	-16.247	-23.572
Payments for operations	-2.823	-1.443	-2.113
Taxes paid	-71.278	-40.648	-40.648
Net cash flow relating to operations	730.866	582.453	832.559
Net purchase of loan portfolio	-10.662.028	-11.394.004	-11.457.118
Net payments on the acquisition of bonds	-50.044	-49.990	-49.990
Net investments in intangible assets	-	-	-
Net cash flow relating to investments	-10.712.072	-11.443.994	-11.507.108
Debt raised by issuance of securities	7.432.041	6.340.867	10.981.817
Redemption of issued securities	-	4.327.997	-60.000
Net change in loans from credit institutions	1.798.587	-	-
Paid in capital equity	-	1.000.000	1.975.000
Interest payments on debt raised by issuance of securities	-471.675	-367.384	-488.386
Dividend paid	-204.000	-84.000	-84.000
Net cash flow relating to funding activities	8.554.952	11.217.480	12.324.431
Net cash flow during the period	-1.426.253	355.939	1.649.882
Balance of cash and cash equivalents start of period	2.202.630	552.748	552.748
Balance of cash and cash equivalents end of period	776.377	908.687	2.202.630

Notes to The Financial statements

Note 1 Accounting policies

1. Basis of preparation

These interim financial statements for SR-Boligkreditt AS cover the period 1 January - 30 September 2018. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements were also prepared in accordance with the applicable IFRS standards and IFRIC interpretations. The interim financial statements are unaudited. All amounts are stated in NOK thousands unless stated otherwise.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual accounts for 2017.

New Standards that have not been adopted yet

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. Among those SR-Boligkreditt AS has chosen not to apply early, is IFRS 15- Revenue from contracts with Customers and IFRS 16- Leases. These standards are not expected to have significant impacts for SR-Boligkreditt AS.

There are no other standards or interpretations that are not currently in effect and could be expected to have a material effect on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments has replaced IAS 39 from 1 January 2018. See note 27 IFRS 9 Financial Instruments in the annual accounts for 2017, and note 2 and note 5 in the interim financial statements Q3 2018 for more information on the implementation of IFRS 9.

2. Critical accounting estimates and judgements

The preparation of financial information pursuant to IFRS entails the executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised as assets, liabilities, income and costs. Note 3 of the annual accounts for 2017 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

Note 2 Amounts arising from ECL

The following table show reconciliations from the opening to the closing balance of the loss allowance. Explanation of the terms 12-month ECL and lifetime ECL (stage 1-3) are included in note 27 in the annual account 2017.

NOK 1 000	2018			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost				
Balance sheet 1 January 2018	3.536	5.359	200	9.095
Transfer to/ from 12 month ECL	-1.802	1.627	175	-
Transfer to/ from lifetime ECL - No objective evidence of loss	110	-287	177	-
Transfer to/ from lifetime ECL - objective proof of loss	-	9	-9	-
Net remeasurement of loss allowance	924	-1.489	-40	-605
New financial assets originated or purchased	1.551	1.866	226	3.643
Change due to reduced portfolio	-658	-652	-151	-1.461
Change in models/ risk parameters	-	-	-	-
Other movements	-	-	-	-
Balance sheet 30 September 2018	3.661	6.433	578	10.672

Note 3 Other assets

NOK 1 000	30.09.18	30.09.17	31.12.17
Unsettled securities	240.242	4.640.950	-
Other assets	-	518	211
Total other assets	240.242	4.641.468	211

Note 4 Other liabilities

NOK 1 000	30.09.18	30.09.17	31.12.17
Taxes payable	67.024	42.030	74.248
Deferred taxes	-	-	-
Accounts payable	2.998	2.514	2.640
Expected credit loss unused balances under flexible loans	131	-	-
Accrued expenses and prepaid revenue	6.613	1.098	2.541
Total other liabilities	76.766	45.642	79.429

Note 5 Lending to Customers

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of the period were NOK 51.5 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.09.18	30.09.17	31.12.17
Flexible loans - retail market	13.436.774	11.813.750	11.945.762
Amortising loans - retail market	38.021.724	28.913.899	28.846.309
Accrued interest	44.923	34.735	37.049
Gross loans	51.503.420	40.762.384	40.829.119
Individual impairments	-	-	-
Impairments on groups of loans	N/A	-3.885	-4.523
Expected credit loss, stage 1	-3.563	N/A	N/A
Expected credit loss, stage 2, no objective proof of loss	-6.400	N/A	N/A
Expected credit loss, stage 3, objective proof of loss	-578	N/A	N/A
Loans to customers	51.492.879	40.758.499	40.824.596
Liability			
Remaining credit lines (flexible loans)	4.649.851	3.718.236	3.835.770
Total	4.649.851	3.718.236	3.835.770
Expected credit loss on remaining credit lines (flexible loans)	-131	N/A	N/A

Note 6 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU's capital requirements for banks and securities undertakings (CRD IV/ CRR).

SR-Boligkreditt AS has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the company to comply with extensive requirements relating to organization, expertise, risk models and risk management systems.

All capital ratio figures are based on the transitional rule (Basel 1 floor) that states that the capital requirement for using internal methods cannot be less than 80 per cent of the capital requirement according to the Basel 1 regulations.

NOK 1 000	30.09.18	30.09.17	31.12.17
Share capital	4.000.000	3.025.000	4.000.000
Premium reserve	150	150	150
Other equity	-1.287	1.561	206.141
Total Common equity Tier 1 capital	3.998.863	3.026.711	4.206.291
Deduction for proposed dividend	-	-	-204.000
Deduction for expected losses on IRB, net of write-downs	-79.926	-61.850	-66.807
Value of derivative liabilities at fair value	-1.422	-1.022	-1.523
Total Tier 1 capital	3.917.515	2.963.839	3.933.961
Net primary capital	3.917.515	2.963.839	3.933.961
Credit risk	10.727.958	8.456.766	9.828.325
Operational risk	384.596	168.738	168.738
Transitional scheme	9.622.324	7.828.518	6.927.742
Risk weighted balance	20.734.878	16.454.022	16.924.805
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	933.070	740.431	761.616
Buffer requirements:			
Capital conservation buffer 2,5 %	518.372	411.351	423.120
Systemic risk buffer 3 %	622.046	493.621	507.744
Countercyclical capital buffer 2 % (1,5 % per 30.09.2017)	414.698	246.810	338.496
Total buffer requirement to common equity Tier 1 capital ratio	1.555.116	1.151.782	1.269.360
Available common equity Tier 1 capital ratio after buffer requirement	1.429.330	1.071.626	1.902.984
Capital ratio	18,89 %	18,01 %	23,24 %
Tier 1 capital ratio	18,89 %	18,01 %	23,24 %
Common equity Tier 1 capital ratio	18,89 %	18,01 %	23,24 %
Leverage Ratio	7,23 %	6,18 %	8,50 %

Note 7 Debt securities issued

NOK 1 000	Carrying amount		
	30.09.18	30.09.17	31.12.17
Covered bonds nominal amount	46.351.291	38.739.008	38.679.008
Adjustments	-305.841	-366.811	749.307
Accrued interests	141.080	104.499	166.113
Total securities issued	46.186.530	38.476.696	39.594.428
			Nominal amount
Change in debt raised through issuance of securities	30.09.18	30.09.17	31.12.17
Covered bonds start of period	38.679.008	27.757.191	27.757.191
Covered bonds issued	7.672.283	10.981.817	10.981.817
Covered bonds matured	-	-	-60.000
Total debt raised through issuance of securities	46.351.291	38.739.008	38.679.008
* The nominal amount is the principal at the exchange rate when the new loan is raised (EUR/NOK)			
Securities issued by maturity date			
			Nominal amount
Public covered bonds	30.09.18	30.09.17	31.12.17
2017	-	60.000	-
2019	5.000.000	5.000.000	5.000.000
2020	9.737.400	9.737.400	9.737.400
2021	6.968.775	6.968.775	6.968.775
2022	5.161.200	5.161.200	5.161.200
2023	10.701.410	5.701.410	5.701.410
2024	4.640.950	4.640.950	4.640.950
2029	137.307	137.307	137.307
2031	90.918	90.918	90.918
2032	1.060.000	1.060.000	1.060.000
2038	2.672.283	-	-
2041	181.048	181.048	181.048
Sum	46.351.291	38.739.008	38.679.008
			Carrying amount
Liabilities by currency	30.09.18	30.09.17	31.12.17
NOK	15.973.132	11.053.069	11.006.915
EUR	25.430.921	22.593.355	23.400.353
USD	4.782.476	4.830.272	5.187.159
Sum	46.186.530	38.476.696	39.594.428

Note 8 Asset coverage

Asset coverage is calculated according to the Act on Financial Institutions, section 11-11. There is a discrepancy between the balance sheet amounts, partly because lending will be reduced due to non-performing loans (no occurrences of non-performance as of 30 September 2018), loans with a loan-to-value ratio in excess of 75 % and the use of market values.

NOK 1 000	30.09.18	30.09.17	31.12.17
Covered bonds	46.186.530	39.177.308	39.594.428
Total covered bonds	46.186.530	39.177.308	39.594.428
Loans to customers	51.119.489	41.143.906	40.501.323
Substitute collateral	377.610	1.191.724	2.613.014
Total cover pool	51.497.099	42.335.630	43.114.337
Asset coverage	111,5 %	108,1 %	108,9 %

Note 9 Financial derivatives

At fair value through profit and loss NOK 1 000	Contract amount 30.09.18	Fair value at 30.09.18	
		Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	61.587.913	410.690	861.211
Total hedging / Interest and exchange rate instruments	61.587.913	410.690	861.211
Total currency and interest rate instruments			
Total interest and exchange rate instruments	61.587.913	410.690	861.211
Total accrued interests	-	7.630	-44.123
Total financial derivatives	61.587.913	418.321	817.088

SR-Boligkreditt AS has an ISDA agreement with a CSA supplement with the counterparty for derivatives. The agreement is one-way, which means only the counterparty has to pledge security when the market value of derivatives fluctuates.

Note 10 Net income from financial instruments

NOK 1 000	30.09.18	30.09.17	31.12.17
Net gains for bonds and certificates	-34	145	235
Net change in value, basis swap spread	-22.663	-85.570	-98.991
Net change in value, other financial investments	-14.108	3.979	5.591
Net change in value, currency effect	17	57	42
Net income from financial instruments	-36.788	-81.389	-93.123

Note 11 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 30 September 2018.

Contact Information

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